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**Redesigning the Spanish and Portuguese Welfare States:  
The Impact of Accession into the European Union<sup>1</sup>**

by

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**Abstract**

Despite the fact that the norms issued by the European Union regarding the regulation of social protection policies are scant, becoming a member of such a supranational institution can be expected to have influenced the redesign of welfare states. The present paper assesses the extent to which the enlargement of the EU towards the South has impacted the reform of social policies. In particular, it focuses on the cases of Spain and Portugal. The paper includes both a quantitative and a qualitative analysis. From the quantitative point of view, it assesses the evolution of financing and expenditure trends. From the qualitative point of view, it analyses direct and indirect effects of EU membership on social policy, and considers the development of social policy in the domestic sphere in relation to the European Social Model. The concluding section discusses the influence of both external and internal interests and challenges in the redesign of the Spanish and Portuguese welfare states.

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## Introduction

The expression “Iberian style” is sometimes found in the sociological and political literature. However, whether the reaction of any Spanish or Portuguese citizen to such an expression ranges from shifting an eyebrow skeptically or shows sheer puzzlement depending on personality and circumstance, it always expresses surprise and the absence of any clue as to what it may mean. Spain and Portugal do share several common historical developments and cultural traditions. Both countries were imperial powers during long periods of time, were ruled by monarchies, industrialized later than other EU members, went through protracted periods of authoritarian rule, share a strong Catholic religious tradition (resulting in a deep process of laicization during the last thirty years), and indeed they are both situated in a peripheral European region: the Iberian peninsula. Nonetheless, the list of differences bears at least equal importance. Apart from numerous (armed) historical conflicts that confronted the two Iberian countries, Portugal and Spain differ in many aspects nowadays. Spain is a monarchy and a deeply decentralized political system while Portugal is a centralized republic. Their labor markets function very differently and cultural attitudes and ways of life also vary significantly. Last but not least, their social protection systems show distinct characteristics and evolutionary trends, as we will see below.

When dictatorships came to an end in both countries in the mid-1970s and a period of transition to democracy began, the Spanish and Portuguese economies were capitalist ones and an intense industrialization process had already occurred. Their social protection systems showed most of the characteristics of an underdeveloped Bismarckian welfare state, segmented by occupational categories and suffering from broad gaps in the protection net. Expenditure on social protection was 18.1 percent of GDP in Spain and 12.8 percent in Portugal in 1980, which means a much lower level than the EU average at that time (24.3 percent), and only higher than that of Greece (9.7 percent). Both macroeconomic and social protection contexts have changed significantly from the date of accession to the EU (1986) to the present. This paper endeavors to analyze the evolution of social protection between 1980 and the present. Has EU membership affected the development of the Portuguese and Spanish welfare states? Have their social protection systems become “Europeanized”? Before starting the analysis we need to know precisely what we mean by “Europeanization.”

That the economic aspects of the European Union bear much more weight than the social and political ones is hardly news and has been profusely documented. Thus it is not necessary to insist on it here. However, integration into such a supranational entity is likely to have had some effect at the national (and subnational) level not only as regards financing and expenditure trends in social protection but also on cultural and social attitudes and on the character of the policy process. It is our contention that even if the direct impact (via compulsory norms) of the EU on social policy formation at the national level is reduced, there exists a “European social model” that has evolved over time, to which Spain and Portugal have been attracted.

Studies on Europeanization of political frameworks and public policies are still scant. This is indeed a young field of research. Studies on Europeanization of social policies are even less common. Thus, we are confronting a complicated task here. Conceptual frameworks are crucial for any kind of study but they are even more so when addressing novel

fields of research. Radaelli (2000), among others, has produced helpful progress in this respect and the empirical effort undertaken in this paper is based mostly in his unpacking and clarification of the concept of Europeanization. Radaelli (2000:4) understands Europeanization as “a set of processes through which the EU political, social and economic dynamics become part of the logic of domestic discourse, identities, political structures and public policies.” Further, Europeanization may be sharply distinguished from other processes such as convergence, harmonization and political integration.

This paper aims at assessing whether the Europeanization of social policies has occurred in Spain and Portugal during the past two decades and, if so, to what extent. The first part of the paper is devoted to the analysis of expenditure and financing trends and to finding out whether approximation to or distancing from the EU standards has taken place. The second part focuses on the character of the reforms of the respective social protection systems to see if such systems have been Europeanized from a qualitative point of view. The third and final section contains a discussion of the factors that have influenced the distinct national trajectories observed in Portugal and Spain. Social protection is a very broad term that can be stretched to include almost any public action. This paper is centered on a narrower but still precise view of social protection, including income maintenance, health care, social services and unemployment protection.

## **1. Financing and expenditure trends: Approximation or distancing?**

This section consists of a quantitative analysis<sup>1</sup> of the evolution of the social protection effort in Portugal and Spain for the period 1980-1997 and its financing mechanisms. Thus, it assesses the behavior of the social protection systems of both countries from the years preceding entrance into the EU to the present, in order to evaluate whether approximation to average EU levels has occurred or a widening of the differential with other EU welfare states has been produced.

### **1.1 Evolution of expenditure on social protection**

The analysis of the evolution of social expenditure is organized into three sections. The first one evaluates the evolution of absolute levels of protection (as a percentage of GDP). The second one focuses on variations in intensity of social protection (per capita expenditure at purchasing power parities). The third one deals with the composition of social expenditure by function.

#### **A) Absolute levels of social protection**

The evolution of expenditure over GDP is considered as a measure of absolute levels of social protection. As figure 1 shows, the Spanish case is characterized by the persistence of a significant negative differential with respect to the EU average. Despite an increase of 3.4 percent of the resources dedicated to social protection during the period considered, the differential from the EU average has not been reduced, but has rather increased slightly from

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<sup>1</sup>The main sources used in the quantitative analysis of the evolution of social expenditure are:

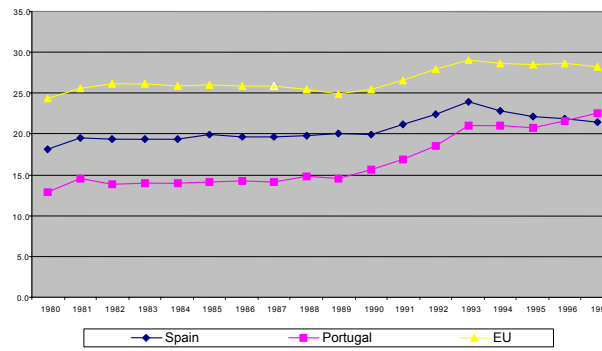
A) The Eudor – Stat data base, compiled by Eurostat, in its 2/1997 version. We have obtained from it data for the period 1980-1990 basically (cited as Eudor-Stat 1997).

B) The publication of Eurostat entitled *Dépenses et recettes de protection sociales, Données 1980-1997*, Luxembourg, 2000. We have relied on this publication for the data corresponding to 1990, although in some cases we have used it to cover the whole 1980-1997 period (cited as Eurostat 2000).

6.2 points in 1980 to 6.8 points in 1997. On the contrary, Portugal, starting from much lower levels of protection, has ameliorated its relative position in comparison to Spain, so that the differential with the EU average has been reduced by 50 percent.

In the Spanish case, the most intense approximation to the EU average took place between 1990-1993, while social expenditure over GDP has decreased considerably since 1993 (in particular 2.6 points). Such a decrease is related to the effort of budgetary discipline undertaken by Spain in order to comply with the criteria for convergence for access to EMU, affecting both the reduction of public deficit and public debt. However, such budgetary discipline has not borne a similar effect in the Portuguese case, where social expenditure over GDP continued to grow from 1993 onwards.

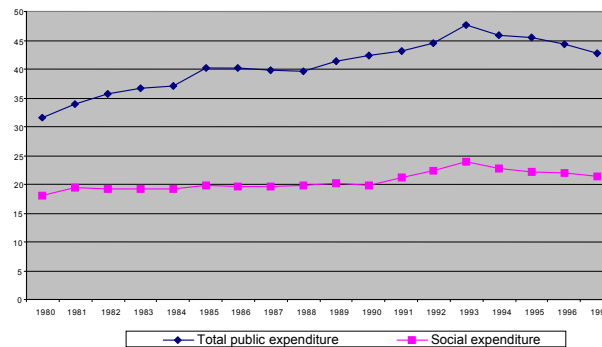
**Figure 1: Evolution of social protection expenditure, % GDP, 1980-1997**



**Source:** Eudor-Stat 1997 and Eurostat 2000.

The behavior of social expenditure presents a similar profile to that of public expenditure in Spain, although yearly increases in the former have tended to be much more moderate than the latter (see figure 2).

**Figure 2: Evolution of public expenditure, % of GDP: Spain 1980-1997**



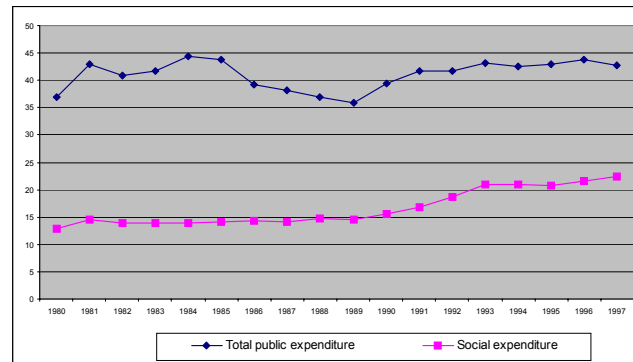
**Source:** Eudor-Stat 1997 and Eurostat 2000.

\* Up to 1989, EU-12; from 1990, EU-15.

In the Portuguese case (see figure 3), the pattern of evolution differs significantly from the Spanish one. Public total expenditure, departing from higher levels than those of

Spain, decreased in the second half of the 1980s without affecting social expenditure. The main growth of social expenditure occurred in the first third of the 1990s, together with an important growth in total public expenditure. Both total public and social expenditure have tended to grow more moderately from then onwards, so that again social protection expenditure has not been affected.

**Figure 3: Evolution of public expenditure, % of GDP: Portugal 1980-1997**

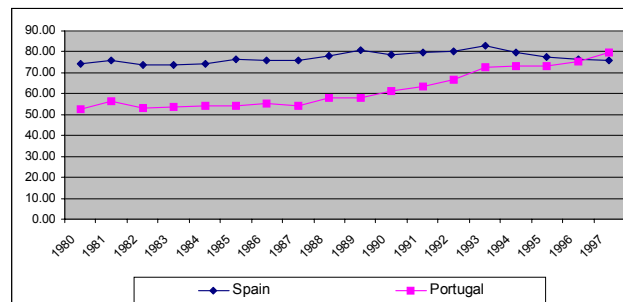


**Source:** Eudor-Stat 1997 and Eurostat 2000.

\* Up to 1989, EU-12; from 1990, EU-15.

The evolution may be appreciated more neatly in relative terms, i.e., expressed as a percentage of the average of the EU in social protection expenditure. As figure 4 shows, the amelioration of the relative situation of Spain between 1989 and 1993 was followed by a continued deterioration of its position up to 1997, related to budgetary restraints applied since 1994. In contrast, Portugal shows continued growth all through the 1990s.

**Figure 4: Evolution of social protection expenditure, % GDP (EU = 100)**



**Source:** Own elaboration based on Eudor-Stat 1997 and Eurostat 2000.

\* Up to 1989, EU-12; from 1990, EU-15.

## B) Evolution of the intensity of social protection

In order to check whether we are in the presence of a process of approximation by the Spanish and Portuguese social protection systems to those of their EU counterparts in terms of intensity of social protection, we use per capita expenditure in purchasing power parities as an indicator, a measure that allows for obviating the differences in costs that exist in each country.

Figure 5 (including differentials over the EU average) confirms that Spain showed an intensity of protection lower than that of the EU in 1980 and that such a differential has not been significantly reduced. Conversely, Portugal, starting from a very low level, has upgraded its relative position, although it has failed to reach the Spanish level of intensity in 1997.

Thus, comparisons of the evolution of per capita social expenditure lead us to reach different conclusions than those attained by analyzing expenditure over GDP. In fact, no deterioration in Spain's position can be ascertained vis-à-vis that of Portugal, despite the significant advances produced in the latter country. In the Portuguese case, growth of per capita expenditure should be highlighted, for it was multiplied by 5.4. Such an increase was only surpassed by Greece (multiplied by 6.67), and it shows a much larger entity than that of Spain (3.6 times) or that of the EU average (3.17 times). Nonetheless, per capita social expenditure remained lower in Portugal than in Spain (in particular 53.77 and 61.81 of the EU average respectively).

**Figure 5: Evolution of social protection expenditure, per capita, ppp (EU = 100)**

**Source:** Our elaboration based on Eudor-Stat1997 and Eurostat 2000.

\* Up to 1989, EU-12; from 1990, EU-15.

In table 1, the evolution of per capita social expenditure and per capita GDP is compared to the EU average. This helps us observe stagnation in Spain in the second half of the 1990s as compared to growth in Portugal

**Table 1: Evolution of GDP per capita and social expenditure per capita, ppp (EU 15 = 100)**

Year	Spain		Portugal	
	Expenditure on social protection, per capita, ppp (EU = 100)	GDP per capita, ppp (EU =100)	Expenditure on social protection , per capita, ppp (EU = 100)	GDP per capita, ppp (EU = 100)
1980	54.52	70.4	31.23	55.2
1981	55.03	70.0	33.82	55.8
1982	53.53	70.2	31.93	56.2
1983	53.41	70.3	31.34	55.0
1984	53.22	69.6	30.32	52.7
1985	54.57	69.5	30.37	52.8
1986	54.35	69.7	31.41	54.1
1987	56.03	71.6	32.14	56.1
1988	57.12	74.6	34.85	58.1
1989	60.50	75.6	35.58	59.3
1990	60.00	76.5	37.99	60.7
1991	64.48	79.2	40.94	64.3
1992	63.31	79.1	41.94	65.4
1993	66.21	79.8	45.92	68.0
1994	61.74	77.9	48.00	69.8
1995	61.45	78.5	47.56	70.6
1996	61.35	79.3	49.20	70.2
1997	61.81	79.9	53.77	70.9

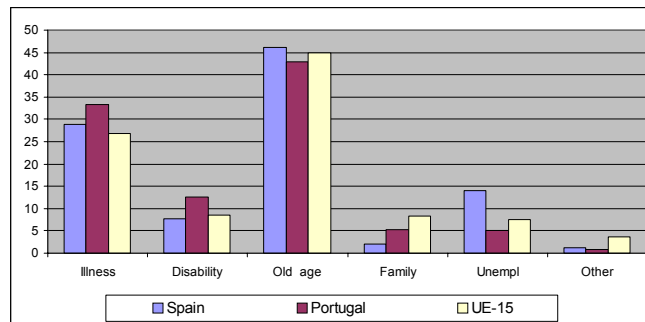
Source: Eudor-Stat 1997, Eurostat 2000 and European Economy, No. 68, 1999.

### C) Composition of social expenditure

Let us turn to consider how the general evolution of social expenditure has affected the different areas of social protection. As it may be observed in figure 6, in the Spanish case in 1997, expenditure for protection of illness and disability and that devoted to old age and survivors show similar percentages over total social expenditure as those for the EU average. Unemployment protection almost doubles the EU average, which is not surprising if we take into account Spain having the highest unemployment rate in the Union. At the other extreme, however, family protection is very low (four times smaller than the EU average). Figure 8 shows such differences clearly.

Portugal, in turn, presents a share of expenditure dedicated to illness and disability ranking higher than the EU mean, but showing lower levels than average in the rest of social protection areas. In comparison to Spain, unemployment protection is lower in Portugal but family protection is significantly higher.

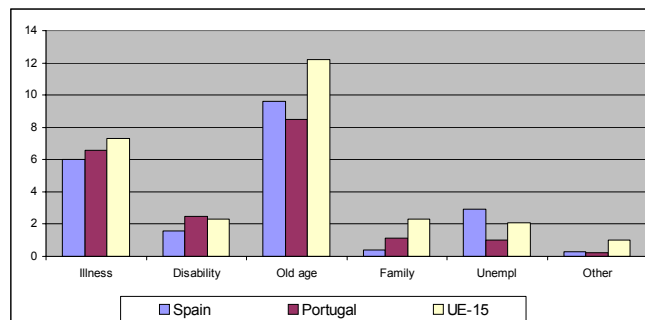
**Figure 6: Social expenditure by function (% total social expenditure), 1997**



**Source:** Eudor-Stat 1997 and Eurostat 2000.

When the volume of resources dedicated to each social policy area is analyzed in terms of their proportion over GDP, figure 7 only reinforces the conclusions attained above.

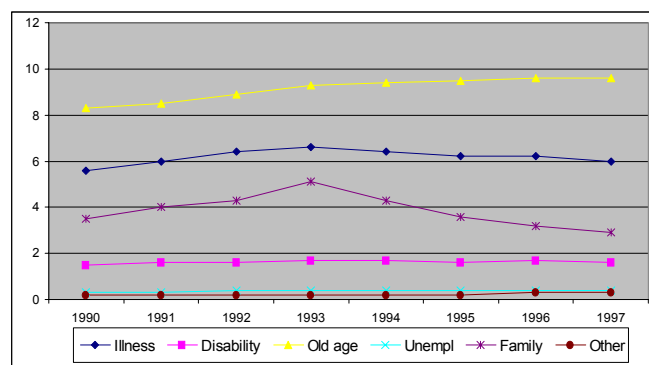
**Figure 7: Expenditure on social protection by function (% GDP), 1997**



**Source:** Eudor-Stat1997 and Eurostat 2000.

Lastly, figures 8 and 9 show the evolution of social expenditure by function for the Spanish and Portuguese cases respectively.

**Figure 8: Social expenditure by function (% GDP): Spain 1990-1997**

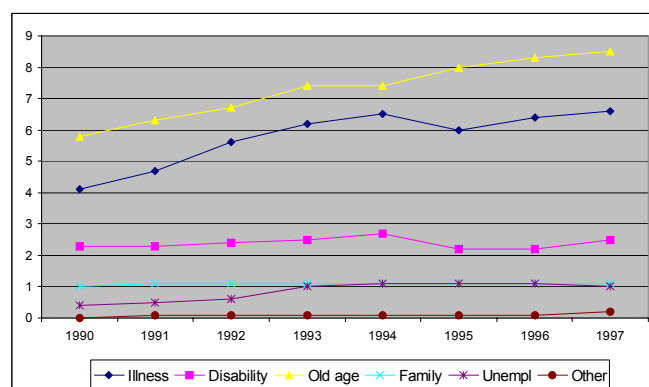


**Source:** Eudor-Stat 1997 and Eurostat 2000.

In the Spanish case it can be observed that:

- Expenditure on old age and survivors increased between 1990 (8.3%) and 1993 (9.3%) to stagnate in the following years at around 9.6% of GDP.
- Expenditure on health care increased by one point, namely from 5.6% in 1990 to 6.6% in 1993, to decrease from then onwards to 6.0% of GDP in 1997.
- Expenditure on disability stagnates around 1.6% for the whole period.
- The downward trend of social expenditure is concentrated mainly on the reduction of unemployment protection, from 5.1% in 1993 to 2.9% in 1997. Such a reduction was favored by the fall in the unemployment rate from 20.3% of the active population to 22.8% between the same years.<sup>2</sup>
- Family protection and the rest of social protection programs have remained at low levels, in particular 0.4% and 0.3% of GDP respectively.

**Figure 9: Social expenditure by function (% GDP): Portugal 1990-1997**



**Source:** Eudor-Stat 1997 and Eurostat 2000.

In the Portuguese case, the following trends are to be noted:

- A continued growth—if only decelerated in the central years of the decade—in old age and survivors protection.

<sup>2</sup>See European Economy: 1999 *Broad Economic Policy Guidelines*, no. 68, 1999, p.100.



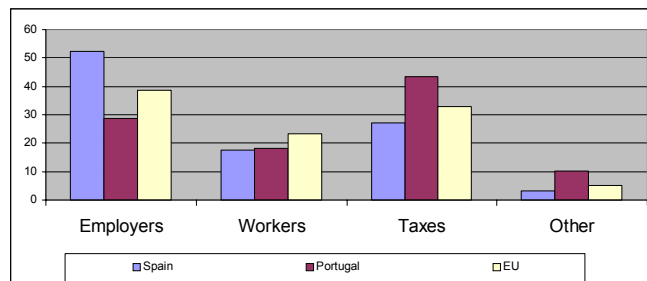
- Stagnation throughout the 1990s of unemployment protection (around 1.1% of GDP), family protection (1% of GDP) and the rest of social protection areas (0.2% of GDP).
- The significant weight of expenditure on health care, which conditions social expenditure in general. Expenditure on health care grew from 4.1% to 6.5% in the period 1990-1994; it fell half a point in 1995 and then recovered again.
- Expenditure on disability shows also significant proportions throughout the whole period: around 2.5 of GDP.

## 1.2 Financing of social protection

Figure 10 summarizes the different sources of financing for social protection systems as a percentage of total expenditure on social protection. What the data in figure 10 show is that the financing of social protection in Spain has relied and still relies fundamentally on employers' contributions, in a proportion which is the highest of the EU-15, while workers' contributions and public revenues are around five points below the EU average and "other sources" of financing show a very moderate proportion.

The Portuguese case is totally different from the Spanish one. Employers' contributions are ten points below the EU average—almost half of the weight of the contribution of employers in the Spanish context—, with a significant reduction in the 1990s. Workers' contributions are also below the EU average and show a similar level to the Spanish one. The Portuguese social protection system relies mainly on public contributions and, finally, on "other sources" of financing (such as rents on properties, diverse transfers), double the EU level and triple the Spanish one.

**Figure 10: Sources of financing of social protection, 1997**



Source: Eurostat 2000.

To sum up, while Portugal has shown more success in the approximation of social protection expenditure to EU standards as a percentage of GDP, Spain continues to show a higher intensity of protection (per capita expenditure on social protection) than Portugal, although no significant effort of approximation to EU standards can be ascertained. From the financing point of view, the Spanish welfare state still relies heavily on employers' contributions, while the Portuguese one has come to use a large proportion of public revenues for the financing of social policy.

## 2. Redesigning social protection: universalism versus selectivism

The question to be answered in this section is whether EU social policy dynamics are becoming part of the logic of domestic discourse, identities, political structures and public

policies in Spain and Portugal. Departing from underdeveloped Bismarckian (occupational) social protection systems in the mid-1970s, both the Spanish and Portuguese welfare states have undergone deep processes of change during the last decades, meaning a clear overcoming of path dependency in many cases. To what extent is Europeanization responsible for such changes?

EU social policy has undergone a salient process of change since the creation of the European Community by the Treaty of Rome in 1958. The evolution of EU social policy has been illustrated in many studies that highlight its comparative backwardness when compared to the economic aspects of European integration (Leibfried and Pierson, 1995; Rhodes and Mény, 1998). A shorthand summary of such evolution can be found in table 2 (see Appendix). EU social policy is characterized by two distinctive features. In the first place, EU social policy is directed at workers rather than at citizens. This is consistent with the salience of the economic aspect of European integration, for EU policy is aimed at securing free mobility of workers within the EU market. In the second place, “hard” EU social policy based on compulsory norms has tended to incorporate developments already achieved long ago in national settings, including those of Southern European countries. All the Council Directives issued in the fields of labor and working conditions, equality of treatment for women and men, free movement of workers, and health and safety at work have been transposed into the legislation of Portugal and Spain (see European Commission, 2000: 251-265). In most cases national legislation already contemplated the provisions of Directives. Thus, the *acquis communautaire* and its transposition into domestic legislation can hardly be responsible for the full redesign of the Portuguese and Spanish welfare states.

Furthermore, it has been argued that the worse-off economies of the EU have been able to profit from the Structural and Cohesion Funds (having an origin in the better-off EU economies) since their accession to the EEC. Whether such funds have been used in Southern European countries to ameliorate their social protection networks or, conversely, used to follow a social-dumping/social-devaluation strategy, has already been a matter of research that has rejected the social-dumping/devaluation hypothesis (see Guillén and Matsaganis, 2000; Guillén and Álvarez, 2001). Precisely for this reason the impact of EU social funds on the development of the Spanish and Portuguese welfare states should be taken into account as a direct effect of accession into the EU on the advancement of their social protection systems. The economic fluxes from the Funds may have contributed to generating growth, wealth and employment. They may also have helped in triggering initiatives at the national/regional/local level and enhanced visibility to the problems of certain social groups.

Nonetheless, even if the direct influence of EU social policy is moderate but still significant, other indirect impacts could be considered. Influences of EU dynamics on domestic contexts include “soft” EU social policy, i.e., the realm of recommendations, EU social discourse and demonstration effects. We would like to label this aspect of Europeanization as “cognitive Europeanization,” having an impact on national political discourses, identities, elite ideologies, the attitudes of policymakers and public preferences. It is our contention that, while “hard” EU policy has had a moderate influence on the evolution of the Portuguese and Spanish welfare states, “soft” EU social policy, EU discourses and demonstration effects have constituted crucial factors inducing change, together with domestic developments. For example, the insistence on the part of the EU on the need to fight poverty, promote social in-

clusion, close the gaps in social protection networks and pursue equity between women and men has been most important in the reorientation of southern welfare states towards social citizenship. At the other extreme, EU statements on the need to rationalize social protection systems and improve efficiency during the 1990s have also been very influential and have provided national governments with the necessary back-up to legitimize cost-control measures.

Demonstration effects bear even more crucial importance. Political democratization of the regimes of Southern Europe was always linked in the minds of the elites and of the public in general to social democratization. That is, “becoming Europeans” has not only meant shifting from authoritarian to democratic political institutions and ameliorating capitalist production but also the achievement of a fully-fledged welfare state “European style.” It is true that political democratization by itself has reinforced civil societies, enhanced the possibility to exert pressure on the part of interest groups and fostered the opportunities for redistribution in Southern Europe (Maravall, 1995). But we are talking here about actions based on broadly shared attitudes and preferences among the citizenry and governmental will (especially among the political parties on the left of the spectrum when in office). Such aspirations of Southern countries for the construction of strong welfare states have been already documented in detail (Silva, 2000; Guillén, 1992; Guillén and Álvarez, 2001) but it is important to state it here once again. Joining the European Union has only reinforced already existing attitudes during the transition to democracy period.

Finally, provided different welfare traditions and social policy models coexist in Europe, which of them have been followed by Spain and Portugal? In terms of models, aspirations in Spain and Portugal have been framed in a peculiar way. The model for welfare services as declared in the political discourse of the left-wing parties and in public preferences has consisted of that of the Scandinavian social citizenship tradition, while the model for income maintenance policies has remained that of conservative/occupational Central Europe (Guillén, 1992). This is consistent with the fact that the redesign of Southern welfare states has framed them so that, at present, their most salient characteristic is the mix of welfare principles à la Esping-Andersen, that is, conservative in income maintenance policies and social-democratic in health care and educational issues.<sup>3</sup>

Let us now turn to analyze the evolution of the Spanish and Portuguese welfare states in detail in order to ascertain whether qualitative Europeanization has taken place.

## 2.1 Spain

Three distinct periods may be differentiated in the evolution of the Spanish welfare state, namely, a period of expansion without departure from the historical path (1975-1982);

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<sup>3</sup>Personal social services policies and social assistance could be labeled as “liberal” in southern Europe. Such policies have come to approximate the liberal model because of historical inheritance. Contrarily to pensions or health care, public social services were almost undeveloped under dictatorships and have tended to become financed out of state revenues and universal but subject to means-testing during the last twenty-five years of democratic rule. Means-testing was introduced because the effort to universalize them (cover the whole population) was economically unfeasible when departing from really low levels of provision.

a period of universalization (1982-1993); and a period of rationalization (1993- ). A summary of social policy reforms in Spain can be found in table 3 (see Appendix).

The first period, ranging from the fall of the authoritarian regime in 1975 to the victory of the Socialist Party in the 1982 general elections, is characterized by intense expansion of social policy programs in quantitative terms without a departure from the inherited macro-institutional design of the social protection system (Guillén, 1992). Some administrative rearrangements took place, as for example the creation of four National Institutes devoted respectively to the management of pensions, health care, unemployment and social services, and the establishment of a Ministry of Health as independent from the Ministry of Labor. This latter development is very relevant, for it eased the departure from the occupational principle to be experienced by health care policies from the mid-1980s onwards. Also in this period, a deep reform of fiscal policies (both direct and indirect taxation) took place in order to adapt the Spanish fiscal system to the prevailing model in the European Community. This was also relevant in order to facilitate the introduction of universalizing measures in the 1980s, for it allowed the state to tap the necessary resources to finance them in the future.

The only relevant qualitative modifications of the period ranging from the mid- 1970s to 1982 consisted, first, of the approval of the Law on Social Integration of the Disabled in 1981, implemented from the mid-1980s onwards and including both protection in economic terms and services for disabled people. Also in 1981, divorce was legalized and female activity rates began to grow significantly. Again in 1981, the devolution process to autonomous regions foreseen in the 1978 Constitution was initiated in the social policy domain by the transfer of powers in health care to Catalonia. But, most prominently, the Spanish welfare state grew very significantly in size during this period, so that expenditure on social protection over GDP was increased by 50 percent. Equally important, the policymaking process was democratized. Several social pacts were signed, starting in 1977 with the Moncloa Pacts (among parliamentary forces). The ANE (National Agreement on Employment) was reached in 1981 and the AES (Social and Economic Agreement) four years later.

More radical departures from the inherited Bismarckian model were hindered during the transition to democracy by several factors (Guillén, 1992). In the first place, the period of transition coincided with the oil shocks and privileged attention had to be paid to restructuring the economy. In the second place, priority was placed on the redesign of political institutions and on the stabilization of the new democratic regime. In the third and last place, the Spanish transition to democracy bore a “reformist” character based on the attainment of consensus, a process that slowed down decisions. This is different from the Portuguese case, where transition to democracy showed a more “rupturist” character allowing for breakthrough decisions, such as the creation of a national health service as early as 1979. Nonetheless, the Spanish welfare state grew both in financial effort (especially as regards the use of general revenues) and in population coverage terms pushed by emerging social needs—accentuated by the economic crises—and the need to legitimize the new democratic regime. Lastly, in this period, the intentions of the left-wing parties, the unions and the population preferences in relation to the social aspects of democratization were already clear and pointed to the attainment of an intensification of social protection and the extension of tax-funded non-contributory benefits. Such a move was closely linked to what was labeled at the time the “European Project.”

The second period of evolution of the Spanish welfare state comprises the years 1982 to 1993 and produced a major departure from past social policies. The Socialist Party gained office with an absolute majority in 1982, a circumstance repeated in the general elections of 1986 and 1989. Socialist rule lasted for fourteen years in a row (the last period from 1993 to 1996 with a reduced majority), which allowed the government to exercise a decisive and protracted action in the field of social policy. However, the economy was far from having attained the right balance and overcoming the economic crises in 1982, so that the Socialist cabinet had to devote a lot of effort to curbing down inflation and the staggering unemployment rates. As noted above, several social pacts had been attained starting in 1977, allowing for the moderation of salary increases, but economic adjustment was still seen as the main objective in order to confront admission to the EEC in 1986. This possibly explains why expansionary reforms were initiated only in the mid-1980s.

Expansionary reforms are the hallmark of this period and clearly outmoded restrictive ones. In fact, the only major restrictive reform affected retirement pensions. The first half of the 1980s was a hard time for the Socialist government. The need to restructure the productive apparatus and to fight unemployment and inflation resulted in the adoption of a strict monetary policy. Further, the pension reform of 1974 (i.e., still under authoritarian rule) had impinged an expansionary thrust into the income maintenance system. This, together with the rise of new social needs stemming from the economic crises, and intense use of early retirement and disability pensions to protect redundant workers, posed a challenge to financing the social security system. All these pressures resulted in the adoption of a restrictive reform of contributory pensions in 1985. The reform enlarged the minimum contributory period from ten to fifteen years and reduced the replacement rate by introducing more salaried years (eight instead of two) into the formula to calculate the initial amount of the pension (Cruz Roche, 1994; Guillén, 1999a). In 1993-1994 the first wave of labor market flexibilization measures was passed, allowing for broad use of new temporary contracts. Such reforms resulted in the end of the era of neo-corporatist agreements and the termination of the “historical brotherhood” between the Socialist Party and the Socialist Union (UGT), which was desperately against the restrictive pension reform and the introduction of temporary contracts.

Expansionary reforms affected the welfare services above all (see table 3) but also income maintenance. These reforms produced quick growth in social expenditure and the most intense narrowing of the negative differential with the EU average in 1993 (as shown in the previous section). In the realm of health care the reform of primary care was passed in 1984, followed by the creation of a national health system in 1986 and the inclusion in it of former beneficiaries of poor relief in 1989. Thus the health care system came to cover 99.9 percent of the Spanish population for a broad set of health care services (comparable to those of other EU countries), although access has not been turned into a citizenship right as yet. Health care powers were transferred to the other five autonomous regions (namely, Andalusia, the Basque Country, Valencia, Galicia, and Navarre), and these regions, together with Catalonia, quickly started to make their own innovations. For example, the introduction of an individual health card in the Basque Country to substitute for the old family card had a quick spillover effect on other regions and ended up by having an impact on the whole health care system. Moreover, health care came to be financed mainly out of state revenues at the end of the 1980s (Guillén, 1999b).

Regarding personal social services and social assistance for the elderly, young children and the young, these also witnessed considerable expansion in this period both in terms of the number of beneficiaries and in expenditure (Barea Teijeiro, 2000). In the late 1980s and early 1990s, powers in the domain of social services were devolved to all seventeen Spanish autonomous regions and municipalities. Social services were universalized and made dependent on income levels for access. The creation of the Ministry of Social Affairs in 1988 fostered expansion, as did the activities and innovative undertakings of the autonomous regions (Casado, 1994; Muñoz Machado et. al., 1997: 529-599). Nonetheless, the provision of social services remained low in comparison to that of other EU members at the end of the period because it had begun from almost negligible levels.

Reforms were intensified in the late 1980s, when the unions decided they had restrained their demands long enough and went on a general strike in December 1988. Furthermore, the positive cycle of the economy allowed for devoting more resources to social policy. Structural and Cohesion Funds amounted to 0.7 percent of the Spanish GDP on average for the period of 1989-1993, helping the expansionary trend on social policy and, especially, on the construction of infrastructures (*Second Report on Economic and Social Cohesion*). Income maintenance policies also underwent expansion. Pensions were indexed to past inflation in 1988 and non-contributory retirement and disability pensions were introduced in 1991 in order to universalize the coverage of the pension system. Also, supplements to minimum pensions grew in number in order to secure the level of the minimum pension for those workers who had failed to contribute enough to reach it. This, together with the establishment of non-contributory pensions, meant the intensification of a sort of internal redistribution within the pension system (Herce San Miguel, 1998; Guillén, 1999a). Furthermore, the coverage and intensity of protection in the field of unemployment went through its golden period, so that the highest coverage rate was reached in 1992, when 82 percent of the unemployed received cash benefits. This is also the period in which the effort on activation policies grew most during the last twenty-five years (Toharia, 1997; Gutiérrez and Guillén, 2000). Family allowances were also reformed in 1990 with the aim of making them both universal in scope and targeted to low-income families. Last, between 1989 and 1993, the regions decided unilaterally, opposing the opinion of the central administration, to introduce minimum income schemes for people of working age. Spain became thus the first Southern European country to establish a minimum income program (Laparra and Aguilar, 1997; Moreno and Arriba, 1999).

All these expansionary reforms stemmed from domestic preferences, attitudes and aspirations, but were also in line with the European Community's social discourse of the time, which was focused on the fight against poverty and social exclusion and insisted on the reduction of gaps in access to social protection. Despite the fact that EU social policy started intensifying precisely in the late 1980s, other more determinant developments in the EU sphere soon arrived in the economic domain, conditioning the development of social policy. We refer obviously to the conditions for convergence to EMU agreed on in the Maastricht Treaty.<sup>4</sup>

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<sup>4</sup>According to Mangan (1996: 319), not only the 1992 Convergence Plan imposed stricter criteria on the Spanish economy than those established in the Union Treaty, but also Brussels exerted strong pressures in the following years to insure budgetary rigor by mentioning the possibility of reducing Cohesion Fund allocations to Spain.

The third and last period of evolution of the Spanish welfare state (1993-2001) witnessed a clear redesign of existing policies. Rationalization, increased efficiency and cost-control are the processes characterizing reform in this period. This does not mean that indiscriminate retrenchment took place. In fact, some expansionary moves were undertaken. Among them, one could highlight the reform of maternity benefits that increased the replacement rate to 100 percent of previous salary, and more generous regulation of parental leaves, both produced in 1995 under Socialist rule. Under the rule of the Conservative Party, in office since 1996, some expansionary measures were undertaken, such as the increase of tax exemptions for families, the approval of a law on conciliation of family and working life and an equalization of social security rights for part-time and fixed-term contracts to those of full-time contracts (again, see table 3). A Family Aid Plan was approved in November 2001, consisting mainly of subsidizing social housing for young people and low-income families and fiscal exemptions became proportional to family size. Structural and Cohesion Funds were increased in the period ranging from 1994 to 2000 so that they came to reach 1.5 percent of the Spanish GDP. They were important in order to overcome the economic crisis of the early 1990s and for the promotion of employment and social protection.

Still, rationalizing measures bore more weight. The most salient of them was the restrictive reform of unemployment subsidies of 1992, which reduced both the timespan of the benefit and its amount and the minimum contributory period needed to have access to it (Toharia, 1997). The consequences of this reform in terms of reduction in expenditures can be clearly observed in figure 8 (above), which shows that it is the main reason for the substantial reduction of expenditure on social policy as a percentage of GDP that took place from 1993 onwards. Also private non-profit employment agencies were allowed to operate in the same year. These moves were related to internal imbalances in the unemployment protection system, exhausted by the continuous entrances to and exits from the labor market because of the growth of temporary jobs. But they were also related to the prescriptions of the *White Paper on Growth, Competitiveness and Employment* regarding the need to reduce passive unemployment protection and ameliorate activation policies or, at least, the government tried to legitimize the reform by referring to the *White Paper*. In 1993-1994, a second wave of labor market deregulation took place.

Adjustment in the field of health care had been initiated in 1991, when a parliamentary commission (the so-called “Abril Committee”) was set up in order to propose cost-control measures. Expenditure growth on health care in Spain had been the highest in the EU during the second half of the 1980s, due to the introduction of the universalizing and decentralizing reforms. Hence, worries about the rapid increase of expenditures were already present among the top administration in the late 1980s. However, the rationalizing measures proposed by the Abril Committee met strong opposition from the unions, which managed to block the entire reform (Guillén, 1999b). Other efficiency-seeking measures were more successful. Prospective funding of hospital services, negative lists of publicly financed pharmaceuticals and measures aimed at improving the management of public health care institutions were introduced (see table 3). In addition, a positive and negative list of health care services to be financed publicly was passed in 1995, but the positive list was not restrictive and included new health services. Lastly, no cost-sharing measures were set up for health care due to frontal opposition on the part of the population, users' associations and the unions. In sum, efficiency was sought in the domain of health care but no challenge to already attained levels

of equity can be ascertained. The reason for this lies in the electoral arena and also in the arena of interest mediation. Restrictive reforms in health care would not have been accepted by the electorate and the unions, possibly because the expansionary reforms had taken place far too close in time (Guillén, 1999b). Decentralization of health care came to a halt after the transfer of powers to the Canary Islands in 1994, and was not been pursued again until 2000, when the government announced that negotiations for devolution to the remaining ten regions were to be completed by 2002.

Income maintenance policies underwent more restrictive thrusts. The first measure to be introduced was the indexing of pensions to the next year's expected rate of inflation, rather than to past inflation, in 1994. In 1995, another parliamentary commission reached a crucial agreement on the future reform of the pension system, which came to be called the Toledo Pact, and to which interest groups and even the private banking sector adhered. One of the provisions of this pact was that the financing sources of economic transfers and health care services should be separated, the first to be based on social contributions and the second on state revenues. Such a reform proposal was implemented incrementally so that health care services came to be financed totally out of taxes in 1999. This means that Spain, together with Italy, are the only two EU members where health care services are financed one hundred per cent out of taxes (Guillén, 1999b).

A social pact on the reform of the pension system was reached in October 1996, soon after the Conservative Party won the general elections. Such a pact put in practice several of the reform proposals agreed on by the Toledo Pact. A new law on pensions was passed in 1997 and is still being implemented. The number of salaried years to calculate the initial pension was enlarged from eight to fifteen, thus reducing replacement rates for new pensions. What the unions got in exchange was an amelioration of the lowest widows' and orphans' pensions and a more generous treatment of short-contribution careers (Hercé San Miguel, 1998). Another reform of the pension system took place only recently, in April 2001. This latter reform was based on a pact reached between the government, the employer's association and only one of the main unions. It has entailed an increase of minimum widows' and survivors' pensions, softening of the conditions for pre-retirement, increasing incentives for partial retirement and a reinforcement of the reserves of the system.

Furthermore, a pact on the reform of the labor market was also reached in 1997, this time reducing redundancy payments for the first time in the whole period under analysis. Since then, achieving another pact has proved to be impossible. In April 2001 negotiations broke off and the government ended up by decreeing a reform of the labor market the next month. Redundancy compensations were further lowered and social security contributions were lowered for employers signing contracts with women and/or workers over fifty-five years old. All in all, the argument could be defended that the reform of the pension system and that of the labor market has not only followed general reform trends across the EU but has also been tailored in agreement with the prescriptions of the Union in order to gain the efficiency and sustainability of social protection programs.

Finally, social services continued to expand during the 1990s at the regional level, where innovative policies continued to be introduced (Barea Teijeiro, 2000). However, the Ministry of Social Affairs was merged with that of Labor by the Conservative government in



1996, thus rendering such policies less visible and possibly less significant at the national level.

To sum up, the Spanish welfare state has undergone a deep process of change in qualitative terms, entailing the introduction of several universal policies and a broad extension of tax-funded non-contributory benefits and services. Many gaps have been either narrowed or closed, so that protection for insiders and outsiders of the labor market has reached a better balance. Moreover, coverage expansion has been accompanied by better quality levels. The low protection of families and the comparative backwardness of social services remain challenges for the future.

## **2.2 Portugal**

The process of Europeanization is a crucial explanatory variable to understand the nature of societal transformations in Portugal in the last two decades. Integration into the EU is the background in which these transformations are embedded. Therefore, one cannot fully understand the impact of Europeanization on Portuguese social policies without taking into account its overall impact on Portuguese social and political structures.

Actually, the impact of the process of European integration on Portuguese society goes well beyond 1986, the actual year of admission. The idea of Europe was at the core of the political dispute during the period of political transition, in which the nature of the regime that came out of the 1974 revolution was defined in the public sphere. In a time of deep political mobilization and rapid transformation, as the years 1974-1975 were, Europe was always proposed as a political alternative to the idea of a "socialist regime the Portuguese way," and at the same time, it was suggested as being a new place of belonging, as a replacement for the independence of the former African colonies—in the same way as had happened more than a century before, when the latter were seen as replacements for the "loss" of Brazil. But if admission to the then EEC was an aspiration for the political forces that emerged victorious in the political arena in 1974-1976, it was also a project with roots that went far beyond the democratization process. As suggested by António Barreto (2000: 73), Europe had been for a long time a political and cultural reference to the Portuguese since the human integration with migratory fluxes, particularly intensive after the Second World War, passing through the trade and economic integration with the EFTA during the 1960s, culminating in full membership with political, economic and social integration in the EEC.

From 1976 onwards, with the approval of the Constitution and with the first general elections, in which the pro-European Socialist Party led by Mário Soares was victorious, European integration became the endeavor of democratic consolidation, and an external constraint to reforms that came to be seen widely both as legitimate and necessary. The need to accomplish the admission criteria, both by establishing a regulatory framework like the ones of European counterparts, and by normalizing the functioning of the economy, after the period of economic experimentation of 1974-1976, was to a great extent responsible for making Portugal move away from its specific route to socialism—as explicitly defined in the constitution—, and establishing a political and economic framework similar to that of the other Western European countries. This process implied a political pact between the two major Portuguese political parties, the Socialists (PS—center left) and the Social Democrats (PSD—center right), in order to push the reforms needed to enter the EEC, even if often some of

these were extremely unpopular. This political pact culminated in a decision to rule together, instead of alternating in power, in the years prior to adhesion (from 1982 to 1985) in a “strange bedfellows” coalition that became known as “bloco central,” and that made financially austere policies possible, with controlled political conflict. The years of the “bloco central” government were years of financial austerity, with a second IMF loan, and with the launching of a “stabilizing program” that brought unemployment to an uncommon maximum, by Portuguese standards, of 12 percent in the years of 1984-1985. By this time, it was the expectations of adhesion in 1986, as well as the popular reaction to the economic collapse of 1974-1975 that, even before effective integration, generated a wide political consensus enabling structural reforms that until then had been frozen (Medeiros, 1992).

Summing up, one can say that after a brief spell during the transition to democracy, the idea of Europe became a driving force that moved reforms forward and a fundamental factor for bringing together political stabilization, economic recovery and democratic consolidation. After the adhesion, this process even deepened. Entrance into the EEC coincided with a decrease in political passions, and with the first cabinets with absolute majorities (center right), counterbalanced by the election to president of the leading figure of the Socialist Party (center-left), Mário Soares—who had played a crucial role in pushing Portugal into entering the EEC. After 1986, Portugal entered a period of overall expansion of the economy, after a counter-cycle period that preceded the entrance, and the whole of society underwent important transformations as a result of the new experience of openness that resulted from being part of the single European market, and that contradicted the history of the country during most of the twentieth century. The adhesion to the EEC was, in the words of Fernando Medeiros (1992: 921), an exit door to the social and institutional crisis that the country had been facing since the 1960s and an efficient antidote to the traditional international isolation of the country; it was also a structuring element in a social formation that until then had few democratic traditions and had been economically depressed since the Revolution.

It is against this background, briefly presented, that one should understand the role of Europe in the development of social policies in Portugal, as the latter is part of a broader trend that characterizes the impact of Europeanization on Portuguese society.

Nonetheless, to understand the impact of the process of Europeanization in the field of social policy, it is important to understand the developments that that policy field had undergone up until then. Considering the period running from the transition to democracy to EEC adhesion, three periods can be distinguished in the development of social policies. A first one of expansion characterizes the democratization period; a second one of design of the system characterizes the consolidation of democracy; and a third one of massification without differentiation<sup>5</sup> characterizes the first years of EEC membership. This third period created the endeavor for the reorientation of the system that has been followed in recent years, namely since the Socialist Party came to power in 1995, under the leadership of António Guterres (see table 4).

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<sup>5</sup>Manual Villaverde Cabral suggested this expression, after Constantino Sakellarides, who had used it when referring to the development of the Portuguese NHS.

As in the other Southern European countries, Portugal was ruled by a right-wing authoritarian system, although in the Portuguese case not only did it last longer (almost fifty years), but it also differed from that of the other southern countries, namely the Spanish one. *Estado Novo's* particular blend of mild Corporatism, political enforcement, Catholicism and a strong anti-modernization ideology can work as a feasible explanation for the difficult catching up of the Portuguese welfare system.

Nevertheless, the abrupt end of the *Estado Novo* with the "Carnation Revolution" of 1974 represented a radical path shifting in all fields of Portuguese society. With the transition to democracy, social policies underwent important transformations. Not only were symbolic and political compromises established, but social expenditures also grew enormously, effective rights were guaranteed, and benefits and wages were raised. While pre-existing low levels of benefits explain this trend, it is also explained by the growing social and political mobilization of the period, namely as a function of ascendancy of the Left and of a labor-dominated political constellation. On the other hand, as stated by Juan Mozzicafreddo, in a period of profound disarticulation of the economic system, as was that of the transition, social policies worked as a main element of social integration; and the balanced resolution of the revolutionary process was due in part to the shaping of the democratic state as a welfare state (1992: 71-6). This process culminated in the approval of the 1976 Constitution, which explicitly indicated a welfare state model as a transition to a socialist state and society, and that is in European terms one that gives more importance to social policies (Hoffman cit. Esping-Andersen, 1993: 598).

With particular intensity during the first two years after the Revolution, governments embarked on a strategy of income redistribution and of guaranteeing social and labor rights (see table 4). In the weeks that followed the *coup d'État* wages rose in an unprecedented way, a statutory minimum wage was established, a social pension was created, the statutory minimum pension was doubled, and the highest salaries and pensions were subjected to a ceiling. One week after the Revolution, the First of May was already a bank holiday, and soon afterwards an important set of previously nonexistent labor rights was guaranteed. Social partners' organizations began to be created to replace the corporatist ones. This global strategy was achieved through an abrupt increase in public spending and by a high degree of political voluntarism. The result was the definition of an ambitious program of social rights that never had a complete practical correspondence. However, if this was a short and turbulent period, it still was the time when the actual nature of the welfare system started to be established, even if with low effectiveness. In the framework of no more than one year, social rights in Portugal grew enormously. Nevertheless, this growth was not sustainable and consequently jeopardized the complete establishment and development of a welfare state.

After a brief though intense spell when the legitimizing of the political system relied on popular or revolutionary mechanisms, not on liberal and parliamentary ones, Portugal started a process of consolidation and institutionalization of its democracy that culminated in membership in the EEC. This process was paralleled by the consolidation and definition of its welfare state, and corresponds to the second period mentioned above—design of the system. In what is a common feature with Spain, the design of welfare structures coincided with the severe economic crisis that began in the mid-1970s, which was particularly intense in Portugal, leading to two IMF loans.

This context posed serious political problems. If democracy was to be born in a context of economic and financial austerity, the government's capacity to deal with the growing and unfrozen number of demands, together with the necessity of reforming both the institutions and the economy in order to join the EEC, was diminished. This led to a deterioration of living conditions of the population, just after a period in which they had increased abruptly. Moreover, economic difficulties eroded the state's capacities (i.e., resources), and undermined both public order and the reform process itself. The only feasible option left was for parties and social partners to accept inter-temporal trade-offs and hence to moderate their demands. Paradoxically, as the political crisis deepened, the capacity to launch policies of macroeconomic austerity and cost containment in the field of social policies increased. After the consequences of the revolutionary period and its economic experimentation, a process of collective learning from previous experience made it easier to make decisions, even hard ones (Maravall, 1997: 29-33). In this context one can also apply Esping-Andersen's well-known metaphor of a 'frozen welfare state landscape' (1996: 24), though to an altogether different degree. In Portugal, the freeze occurred when social rights were not fully accomplished.

However, this image has to be nuanced. The period from 1976 to 1986, although it can be described as one of 'permanent austerity' in financial terms, was combined with an extension of social rights, although not with the same intensity as the previous period. It is as if the previous period corresponded to a short 'golden age,' of no more than two years, followed by a retrenchment period, that, nonetheless, can only be considered as such when compared with the expansionary phase that preceded it (see table 4).

In fact, the ten years of democratic consolidation that had as an important reformist driving force the will to become a member of the EEC correspond to an effort to design the overall architecture of the welfare system, but they are also characterized by the creation of new rights—e.g. the institutionalization of a National Health Service in 1979—and the widening of existing ones—namely as far as income replacement schemes are concerned. No less important, it was during this period that the institutional and organizational features of the system were defined. The transfer of the medical-social services to the Ministry of Health, with the aim of creating the NHS; the approval of the organic law of social security, and the subsequent creation of central and regionalized (district and subdistrict) structures of social security; the creation of the Institute for Employment and Vocational Training (IEFP), as well as that of the Institute for the Financial Management of Social Security (IGFSS), are a few examples of this trend. The process of design of the system culminated in 1984 with the approval of the social security base law that only recently was changed—in 2000.

Fundamental to understanding the political context of this period, and the way it produced feedback effects on the side of social policies, is the evolution of social dialogue structures. In fact, one of the decisive questions in the political arena, during the transition period was that of the trade union unity. Given that the labor movement, namely the confederation CGTP-in, was clearly dominated by the Communist party (PCP), and some minor extreme left parties, the two main parties of the parliamentary spectrum (the socialists and the social democrats) created a second trade union confederation, based on the main trade unions that were close to the socialists, (e.g. that of the bank sector workers). This process dates back to 1976 and culminated in 1978 with the institutionalization of the UGT; however, it had effects

on the nature of social dialogue in Portugal that are still relevant nowadays. When in 1984 a genuine tripartite social dialogue structure was created—the Permanent Council for Social Dialogue (CPCS) that replaced the existent National Council for Income and Prices—all social partners were given permanent seats, but initially the CGTP-in refused to occupy its place, and when it finally did, in 1987, it kept refusing to sign any of the social pacts.<sup>6</sup> This meant that, during a period when there was a strong need for establishing inter-temporal trade-offs, and when this was being widely accomplished in the political arena—with the coalition of the Socialists with the Social Democrats—the same cannot be said of the field of industrial relations, where the main trade union confederation was (self-)marginalized from any attempt at negotiating and establishing pacts.

In 1986, membership in the EEC changed the face of Portugal's financial situation, and therefore welfare arrangements. The first six years after adhesion were a period of economic growth, even one of the more prosperous of the last decades. This resulted from a particular combination of a favorable internal and external conjuncture. The stabilization program of the pre-adhesion period (1983-85), the oil counter-crisis of 1986, the strong repercussions of the expansion of the international economy in Portugal and, the impact of the massive transfer of structural funds that brought together an important capital flux, were all responsible for an important economic dynamic (Medeiros, 1992: 919). This economic expansion was responsible for the unemployment reabsorption—that previously had reached uncommonly high levels by Portuguese standards—, for a slight decrease in the poverty rate, as well as for solving the wage arrears phenomenon.<sup>7</sup> It was also after membership that Portugal enjoyed for the first time a period of political stability, leading to the landslide absolute majority of the PSD (center-right) in 1987, which was repeated in 1991.

Contrary to the previous period, this was one of political stability, associated to an overall strengthening of the state's financial and budgetary capacity, and with significant increase in social expenditures. If the overall architecture of the system maintained its basic features, however there was a substantive growth in the amount of benefits, consequently with an upgrade of social standards, as well as a movement towards the institutionalization of social dialogue, with the signature of the first social pacts in 1986 (see table 4). At the same time, the need to transpose the EEC's regulatory framework, the *acquis communautaire*, and the role played by the structural funds, contributed widely to this upgrade movement—namely the European Social Fund (ESF), responsible for a vast amount of resources to social policies.

As mentioned above, an important indirect influence of EU dynamics on domestic social policies has to do with “soft” EU social policy. The impact of “cognitive Europeanization” seems to be particularly relevant in Portugal. The fields of employment active measures, anti-poverty programs, and social services in particular suffered profound changes. A new culture of policy implementation spread among policymakers and policy implement-

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<sup>6</sup>It only signed one on vocational training in 1991, and two others more recently, both in 2001, another one on vocational training, and a second one on health and safety in the work place.

<sup>7</sup>As Manuel Villaverde Cabral stresses, the wage arrears phenomenon was “a striking feature of the 1980s which illustrates the reluctance of Portuguese society to deal with overt unemployment. Employers, instead of closing factories or laying off the workforce, just stopped paying any wages, while the workers went on laboring and called for State intervention” (1999:238).

ers—territorialized policies; local partnerships; promotion of equity between women and men; conciliation of family and working life; and binding of employment active measures with social security, are a few examples of a new social policy culture that started to pave its way. The impact of the First European Framework of Support, through the actions financed by the European Social Fund was particularly impressive. It not only worked as an important tool to the generalization of vocational training, in order to face the extremely low levels of qualification of the Portuguese working population, but it was also an important support to the expansion of the educational system.

One can say that, after a period of austerity, from 1986 onwards Portugal started maximizing the opportunities created by full European membership. This was a period characterized by an overriding modernization trend, but also one in which the role assigned to social policies was not primary. There was no redesign of the overall system—except in the field of health services, with a move towards privatization (e.g., copayments for health services; opting-out of public insurance allowed)—but rather an increase in previously defined paths. Therefore, this period can be labeled as one of ‘massification without differentiation.’ The core domains of the welfare system maintained its basic structures unaltered, although there was a significant increase in spending and on the amount of benefits (maximum pensions, namely through the creation of the fourteenth month). However, we can stress that the Europeanization process, by opening new possibilities in unexplored domains, paved the way for a modernization of the architecture of the welfare system, particularly visible after the government change of 1995.

After ten years of center-right government, in the general elections of 1995 a new cabinet led by the Socialist Party came to power. Even before the electoral campaign, the Socialist Party took social policies as a distinctive feature when compared with Cavaco Silva’s government. Given that, in the management of macroeconomic policies, in order to accomplish the Maastricht criteria, there were no substantial lines of disagreement, social policies were chosen as an important demarking zone. This ideological redefinition of the political elite gave a new role to employment, social security and solidarity policies (Nunes, 1999).

During the previous period, social policies had been shadowed by an overriding modernization process, visible for instance in the massive building of infrastructures. With the elections, a new set of social measures was in the limelight. A combination of investment in protection against classic social risks (pensions, unemployment benefits) was complemented by a modernization process that led to the launch of new measures, and a profound reorientation of the functioning of the overall system, both in terms of benefits and institutions (see table 4).

If it is too early to assess the overall impact and success of this ‘pathshifting’ strategy, it is however possible to identify some dimensions where modernizing intentions were already accomplished. Considering the institutional and organic dimension of reforms, one can identify two levels of transformation—a first one that has to do with the internal organization and functioning of public services, and a second one, related to the widening of social dialogue.

Considering the first dimension, apart from activation, both in financial and physical terms, of all the services under the Ministry of Labor and Solidarity, there was a set of important organic reforms that aimed at responding to one of the typical pathological features of the Southern European system—institutional fragmentation.

The recent creation of the Institute for Solidarity and Social Security (ISSS) is a clear example of this. Not only it is a structure that binds together solidarity and social security policies that were formerly the responsibility of different bodies, as the heads of the preexisting regional structures of social security that previously had substantial autonomy, in a national body, standardizing procedures, partially overcoming the risks of potential appropriation of the system by local/regional interests.

A second dimension has to do with the widening of social dialogue. Apart from a strong political investment in the signing of social pacts—an overarching first one in 1996, dealing with almost all governmental fields, and aiming at a risk avoidance strategy to accomplish the Maastricht criteria, and recently two other ones, although of a ‘middle range’ nature—, there was also an investment in new forms of social dialogue. The signature of a ‘social pact for solidarity’ between the government and the associations of municipalities, charities, and mutualities with the aim of involving civil society in the implementation of the new solidarity policies, namely in local partnerships, is a clear example of this—as well as the launching of regional networks for employment in order to maximize the local potentialities for employment creation.

Recently, parliamentary approval of a new base law for social security, by an unusually wide left-wing coalition, at the same time defined a framework for the organic architecture of the system, as well as paving the way for new forms of financing the social security scheme by a mix of publicly funded and publicly capitalized systems, together with important changes in calculating the amount of the pensions.

But if new institutional features are important elements for considering the real extent of the reform process, the way benefits are developed is essential to evaluate the real impact of the system in dealing with the social problems it aims to correct. Again, one can distinguish two lines along which the reform process advanced.

A first one that has to do with investment in response to classic social risks. There was a systematic increase in the lower social pensions (pensioners are one of the groups most affected by poverty in Portugal); lengthening of parental leave; definition of an early retirement scheme; the reduction of working time to forty hours per week; there was also a reformulation of unemployment benefits, by lengthening them according to age groups, or by allowing for the accumulation of partial benefits with part-time jobs. No less important, as it worked as a clear sign of legitimizing of the system, was the definition of stricter rules and improved control over sick pay—an area that was known to be vulnerable to fraud and manipulation.

There was a second dimension that had to do with the development of a new generation of social policies, showing awareness of new social risks and dealing with classic ones in a different way. The rationalization of family allowances in one single benefit, which be-

came means-tested, as well as the expansion of family care in a revalorized policy mix with the third sector, are examples of the latter. The development of the Social Market for Employment, an umbrella under which a new set of employment policies targeted to different groups, was developed (e.g. insertion enterprises and local initiatives for employment), and mainly the introduction of a guaranteed minimum income (GMI) are examples of the former.<sup>8</sup>

The extent to which this reform mix will be a successful one is yet to be unveiled. Nonetheless, there are elements showing that there was a strong political commitment to reform and reorient the nature of the welfare system by a systematic intervention in its different realms. It is also clear that the nature of this reform process is deeply embedded in a policy culture that entered the Portuguese social policy arena after 1986. It was the launching of the first EU initiatives, as well as the development of the ESF programs that brought to Portugal a set of social policies until then underdeveloped. Initially these new policies started working at the margins of the system, but slowly they permeated the core of social policies. With the cabinet shift of 1995 they clearly became structuring elements in the reorientation of the overall Portuguese welfare system.

### **3. What has allowed for Europeanization?**

What can be concluded from the previous sections is, in a nutshell, that significant Europeanization has taken place both in Spain and Portugal. While Spain has been less successful than Portugal in quantitative approximation to the European average in terms of expenditure over GDP, qualitative progress in terms of gains in equity and social citizenship is well-known. Such progress was especially intense from the mid-1980s to the early 1990s. In particular, social citizenship was enhanced in the fields of health care, non-contributory benefits, social services for dependent people, and labor insertion policies. In turn, Portugal showed better capacities than Spain in quantitative approximation throughout the whole period of analysis, even if beginning from much lower levels. In general, qualitative approximation lags behind that of Spain in terms of chronology and intensity (with the important exception of labor insertion success). Still, advancement has been weighty in Portugal and may well be even more weighty provided recent norms are fully implemented. Thus, protection gaps have been either closed or narrowed in both countries. How to explain these developments? What were the factors allowing for Europeanization?

Spain departed from higher levels of welfare effort and intensity than Portugal. Economic adjustment after the oil shocks and stabilization of the new democratic regime prevented radical movements up to the mid-1980s. But this period was followed by intense economic growth and marked expansion of the Spanish welfare state both in quantitative and qualitative terms, reaching until the early 1990s. Such expansion meant a clear departure from path dependency in many aspects of social protection towards universalist policies. The last period of evolution was one of austerity imposed by the economic conditions for convergence and previous intense expansionary trends in public spending. This resulted in a clear

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<sup>8</sup>The GMI deserves some particular attention, as it is not only the most visible of the new measures that played a strong symbolic role, but also a paradigmatic one that enabled the 'path-shifting' movement, and pushed further reforms forward. It is aimed to guarantee a new right, addressing high poverty levels, and at the same time represents a breach with institutional path dependency. On the path-shifting nature of the GMI in the Portuguese case, see Pedroso, 1998; Silva, 1998, 2000; Pinto, 2000.



deceleration of growth of expenditure on social policies (especially regarding passive unemployment protection) during the 1990s. Developments in Portugal were somewhat different. Portuguese governments underwent severe economic difficulties for expanding social policies after the short expansionary spell following the revolution. As a consequence, some of the most far-reaching reforms—as, for example, the introduction of a national health service in 1979—suffered from incomplete implementation. Still, Portugal managed to expand coverage and expenditure, and, even more salient, Portugal was able to go through the era of austerity imposed by the Maastricht Treaty without negative impacts on the growth of expenditure on social policy. From 1995 onwards several outstanding reforms were introduced, among them a national minimum income scheme.

Such approximation to EU standards was related to several factors. First, the EU has meant an external constraint but also positive pressure on Spain and Portugal in a period of redesign of their respective welfare systems. In Portugal, political pressures for constructing a particular kind of socialism after the 1974 revolution found a functional opposition on the role of welfare policies à la EEC countries. In Spain, the amelioration and expansion of social protection systems was made synonymous with democratic modernization.

Second, as far as direct impact is concerned, it has to be noted that EU directives on social policy never caught Spain or Portugal unprepared: social policy reforms were either in the making or already attained when EU directives were issued and had been triggered by endogenous (i.e. social and political mobilization) rather than exogenous processes. However, as Mangen notes (1996: 319), directives may well have constituted added value to already existing provisions. As regards European Funds, they clearly helped to develop social policies and the construction of infrastructures related to them. They also enhanced new undertakings in social policy and have endorsed such initiatives with visibility. On many occasions Structural Funds allowed for Brussels to develop (or “tenderly impose”) both the development and character of measures, programs and initiatives that were far from being a priority from a national point of view. Such was the case, for instance, of the resources allocated to vocational training and active labor market policies.

Third, it is our contention that the “soft”/indirect influence of EU recommendations on social policy and demonstration effects have exercised an even more decisive influence than direct action. Europeanization is a process wherein the cognitive dimension of political life becomes crucial. Changes in policy core beliefs in the domain of social policy have been enhanced in Spain and Portugal by the political democratization of their regimes, which was coupled with a strong emphasis on social advancement. Also, spatial proximity to the European Community (meaning that one gets faster and more accurate information about what is going on inside it) and becoming a member of such a supranational institution has had a significant effect on the evolution of identities and attitudes towards social policy and in the perception of social problems. For the Spanish and Portuguese populations, becoming Europeans has meant, among other aspects, attaining “European levels of social protection.” Inclusion in European standardized data sets on social protection only increased comparative knowledge of the standing of new access countries within the Union. In so doing, (indirect) Europeanization has facilitated learning and non-incremental change. In other words, the incorporation of the EU discourse on the fight against poverty and social exclusion, gender equality, conciliation of family and working life, and active employment policies into the na-

tional (and subnational in the case of Spain) discourse, preferences and aspirations, has been of the utmost importance. Such a discourse may well have begun to enter the public debate through the back door, in a superficial and/or cosmetic fashion, or as a sort of trade-off between each country and the EU for the economic support gained through European Funds. Still, it has succeeded in permeating social policy actions in many spheres with tangible results.

Fourth, some domestic factors have either enhanced or hindered the process of Europeanization. Such factors also constitute an explanation for the differences in the timing and implementation of reforms in Spain and in Portugal. Authoritarian regimes and processes of transition to democracy presented differences in each country, thus leading to dissimilarities in the initial redesign of the inherited social protection system. The initial reform thrust in social policy expansion witnessed in Portugal could be linked to the character of the transition, in this case a *coup d'État*. Subsequent deceleration in reform and expansion of the welfare system was tied to the renegotiation of the political model. Conversely, the reformist character of the Spanish transition to democracy—initiated by an elite pact—meant that reforms had to be consensual and, thus, radical social reforms were postponed until broad agreements had been reached.

From the comparative analysis it can be deduced that social policy expansion seems to have been tightly linked in both countries to the presence of Socialist parties in office. In Spain, the long Socialist rule (1982-1996) provided for the presence of an integrated executive leadership and a political elite that was clearly in favor of the expansion of social protection. Political parties alternated in government more frequently in Portugal than in Spain, and this may explain differences in qualitative attainments, for continuity of policies was more difficult. Still, reforms introduced since the Socialist party started to rule in 1995 appear as well-known.

Again, the comparison of the two national cases shows that in the case of Spain the role played by the regions in a decentralized system of government was crucial, while such an enhancing factor was absent in Portugal. Provided Spanish regions maintain offices in Brussels, direct communication flows between the regions and the EU also helped. Spanish regions also count on institutional infrastructures allowing them to develop policies without having to wait for national-level decisions and may tailor their policies to the exigencies of their populations. This means a departure from the Portuguese context, which has undergone significant administrative deconcentration but no political devolution. On many occasions, Spanish regions have shown (and still show) a high capacity for innovation in the field of social policies, having a sort of domino effect on the other regions and also obliging the central state to recognize that such modifications were to be incorporated to the national norms. Nonetheless, decentralization has both assets and liabilities. Among the latter are a potential increase in territorial inequalities, an upsurge in comparative grievances, and an incurring of higher administrative costs.

The evolution of the social dialogue and union action (strikes, protests, declarations) has been closely linked to that of social policy in both countries, which proves that the role of organized labor is relevant even in countries with low affiliation rates. Unions have acted in many occasions as conveyor belts of the European social model.

To sum up, the comparative study of social policy Europeanization has allowed for the singling out of several influential factors. However, there is much more to be researched. One important issue would be to clarify why labor markets show such a difference in behavior in Portugal and Spain in terms of employment/unemployment rates and structural patterns, and which aspects of the differences are tied to the construction of a certain social protection model. Another crucial line of research is related to the analysis of social policies that were *not* Europeanized and the reasons for such a negative result. Last but not least, the Portuguese and Spanish social protection systems may not only have been Europeanized, but Portugal and Spain may have also contributed (so far, outstandingly the former, as proved by the last Portuguese Presidency of the Union and the Lisbon summit of March 2000) to the construction of the European Social Model. Such a contribution and its impact should also be further researched.

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## APPENDIX

**Table 2: Major events in the evolution of European Social Policy**

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**1958-1986: Social advancement as a natural result of economic progress**

1958 Treaty of Rome.

1973 Approval of first Social Action Program (1974-1980).

1974-1980 Directives on employment protection, health and safety at work , and equal treatment of working men and women.

Creation of the European Social Funds

**1986-1992: Social and economic cohesion in the single market**

1986 Single European Act.

1988 Reform of Structural Funds

1989 Community Charter of the Fundamental Social Rights of Workers.

1989 Approval of second Social Action Program (1990-1992)

**1992-1997: Employment and solidarity**

1992 Treaty of the Union. Maastricht. Protocol on Social Policy.

1992 Council Recommendation of July 27<sup>th</sup> on Convergence of the Objectives of Social Protection Policies.

Council Recommendation of June 24<sup>th</sup> on Common Criteria on Sufficient Resources in the Systems of Social Protection.

1993 Green Book on Social Policy. White Book on Growth, Competitiveness and Employment-

1994 White Book on Social Policy.

1995 Approval of third Social Action Program (1995-1997).

**1997: Social policy as a factor of economic performance**

1997 Treaty of Amsterdam.

1997 Luxembourg Summit. National Action Plans for Employment.

1998 Approval of fourth Social Action Program (1998-2000).

2000 Communication from the European Commission (COM (2000)79) on Building an Inclusive Europe

2000 (March) Lisbon Summit. Open Method of Coordination launched.

2000 Approval of fourth Social Action Program (2001-2003).

2000 (December) Nice Summit. National Action Plans for Social Inclusion. Re-orientation of Social Policy.

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Source: Updated from Quintin and Favarel-Dapas (1999).

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**Table 3: Major political and social policy developments in Spain (1978-2001)**

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**1978: Democratic Constitution**

1978 The old Institute for Social Provision is turned into four National Institutes for Social Security, Health, Social Services and Unemployment. Unions and employer's associations gain representatives in their management committees.

1981 Law on Social Integration of the Disabled (LISMI) is passed. Powers on health care transferred to Catalonia. Ministry of Health becomes independent from the Ministry of Labor.

**1982-1996: Socialist governments**

1982 Socialist party wins generalelections by absolute majority. González becomes prime minister. Electoral success renewed in 1986, 1989 and 1993, the latter with reduced majority.

1983 National Institute for Women created. Consultative body.

1984 Decree on Basic Health Structures (reform of primary care). Powers on health care transferred to Andalusia. First wave of labor market flexibilization reforms

1985 Restrictive reform on pensions. Minimum contributory period enlarged to 15 years. Number of salaried years used to calculate initial amount increased from 2 to 8.

1986 Spain becomes a member of the European Community. General Health Law: creation of a National Health System. Powers on health care transferred to the Basque Country and Valencia.

1988 General strike. Pensions indexed to past inflation. Expansion of unemployment protection. Ministry of Social Services created.

1989 Decree of universalization of health care coverage (former beneficiaries of Poor Relief included in the NHS).

1989-1993 Social services decentralized to all regions. Regions establish minimum income programmes for people within active ages.

1990 Reform of family allowances. The program becomes universal and means-tested. Powers on health care transferred to Galicia and Navarre.

1991 A Parliamentary Commission (the 'Abril Committee') proposes the introduction of several cost containment measures into the health care system (not implemented). Non-contributory pensions for the elderly and the disabled established.

1992 Change in the criteria of payments for hospital stays (public and private): towards prospective funding. Restrictive reform of unemployment subsidies: replacement rates decreased and minimum contributory period enlarged

1993 A list of pharmaceuticals no longer financed publicly is established. Second wave of labor market flexibilization reforms starts to be implemented. Part-time jobs fostered. Private non-profit employment agencies allowed to be established.

1994 Powers on health care transferred to the Canary Islands. Pensions indexed to expected inflation for the next year.

1995 Decree on health care services. A positive and a negative list of services provided by the NHS is established. Positive list includes new services. Reform of maternity benefits. Replacement rate increased to 100% of previous salaries. Parental leaves regulated. Toledo Pact on future viability of the pension system.

#### **1996 to present date: Conservative governments**

1996 *Partido Popular wins general election. Aznar becomes prime minister. Conservative government needs the support of nationalist regional parties in order to win absolute majority in parliament.* Ministry of Social Affairs becomes part of the Ministry of Labor. Decree on autonomy of management of health care institutions (June). Decree on flexibilization of pharmaceutical services (opening hours and establishment of new community pharmacies). Social pact on the reform of the pension system (October).

1997 New Social Security Law incorporates social pact decisions on the implementation of the Toledo Pact. Number of salaried years to calculate the pension increased from 8 to 15. Agreement on territorial financing of health care (1998-2001). Social pact on labor market policies decrease of redundancy payments and new conditions to foster the creation of permanent jobs (April). Reform of the Penal Code aimed at strengthening penalizations for domestic violence and sexual abuses passed by the parliament (April).

1998 Fiscal reform lowers taxes. Tax exemptions for families increased. Concept of "large family" widened. All families with disabled children may benefit from family subsidies.

Amelioration of social protection of "marginal or reduced part-time contracts," work-experience and job-training contracts, and part-time contracts (decrees passed in March, August and December). New negative list on pharmaceuticals. Public hospitals may be converted into public foundations.

1999 Following the provisions of the Toledo Pact, health care becomes financed totally out of taxes. Strategic Plan for the introduction of managed competition measures into the INSALUD-Direct Management territory begins to be implemented. Cost-control measures on pharmaceuticals: reference prices, generics, reduction of the benefits margins of intermediaries and regulation of maximum industrial prices. Part-time and fixed-term jobs are granted the same social security rights as full-time ones. Special fund for future financing of the transfer system is created (September). New partial retirement scheme introduced ("*contrato de relevo*") (September). Law on conciliation of work and family life passed (October). Social expenditure increased to one billion pesetas in the State Budget Law for 2000, devoted mainly to the amelioration of the lowest pensions and to activation policies (December).

2000 *Partido Popular wins general election, this time with an absolute majority. Aznar prime minister again.* Moderate increase of family subsidies (January). INSALUD public hospitals may adopt the organizational structure of foundations, consortia, public enterprises and public foundations (January). Reform of legislation on immigration. Amelioration of health protection for non-regularized immigrants (January). The government considers that this law guarantees too many rights to immigrants and announces a restrictive modification, which was passed by parliament in December without the votes of the opposition. Fiscal deductions and maxi-

imum yearly amounts of private pension plans increased (June). State Budget Law for 2001 was passed as the first zero-deficit one since the advent of the democratic regime.

2001 Devolution of health care competencies to all autonomous regions envisaged for 2002. Reform of the legislation on penal responsibility of minors, social reinsertion and reeducation (January). Social actors unable to reach an agreement on labor market reform. Government imposes reform by decree (March). Negotiations on regional financing under course. Social Pact on Pensions signed between the government, the employer's association and one of the main unions, namely, CCOO (April). Family Support Plan approved (November), consisting mainly of housing subsidies and fiscal exemptions.

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**Source:** Own elaboration. Updated from Guillén and Matsaganis (2000).

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**Table 4: Major political and social policy developments in Portugal (1974-2001)**

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**1974-75: Revolutionary Period**

*On the 25<sup>th</sup> of April 1974 a military 'coup d'état' puts an end to the right-wing authoritarian regime – 'Estado Novo.' For a year and a half, in a climate of extreme political and military conflict, the nature of the regime to be established is defined. General elections are held one year after the revolution to elect the parliament that would approve the constitution. Main enterprises in the industry, transports and communication sectors are nationalized. On the 25<sup>th</sup> of November of 1975 the revolutionary period ends, after a failed 'coup d'État' led by the extreme left, followed by counter 'coup d'État.'*

1974 Labor rights extended and guaranteed—right to strike; lock out; institutionalization of the 1<sup>st</sup> of May as bank holiday; establishment of a statutory minimum wage;

1974 Introduction of social pension and of 13<sup>th</sup> month to pensioners; increase of the statutory minimum pension (doubled);

1974 Incorporation of Hospitals into the public system

1975 Introduction of unemployment insurance;

1975-76 Social partners created—Confederação da Indústria Portuguesa (CIP) (employers) and Intersindical (employees), later on renamed Confederação Geral dos Trabalhadores Portugueses—Intersindical (CGTP-inter-sindical); Clashes between the Communists and other leftist parties on one side and the socialists and social democrats on the other concerning trade union's unity.

**1976-80: Socialist (center-left) and Presidential cabinets**

*After the approval of the Constitution – that comprises extensive promises concerning social citizenship rights and social policies—first general elections are held. The Socialist Party (PS) wins with a relative majority and under the leadership of Mário Soares forms the first constitutional cabinet. In the meantime Ramalho Eanes, a General who had been a leading figure in the counter 'coup d'état' of 25<sup>th</sup> of November 1975 is elected President of the Republic. Later the Socialists make a coalition with the Christian Democrats of Centro Democrático Social (CDS). Due to internal divisions, namely after the approval of the National Health Service's base law, the government falls, leading to the constitution of a series of cabinets of Presidential initiative.*

1976 Short-term labor contracts are introduced; suspension of collective labor agreements when firms or sectors are suffering economic hardship periods is allowed;

1976 Creation of the National Council for Income and Prices;

1977 Approval of the organic law of social security;

1977 Widening of the population covered by the social pension; establishment of a transitory regime for independent workers;

1978 Creation of a second confederation of trade unions—União Geral dos Trabalhadores (UGT), with close links with the Socialists as well as the Social Democrats and opposed to the pre-existent CGTP-Intersindical, linked to the Communist party;

1979 Institutionalization of the National Health Service;



### **1980-1982: Center-Right cabinet**

*After a period of continuous governmental change, the general elections of 1979 are won with absolute majority by a center right coalition (comprising PSD, CDS and PPM), led by Sá Carneiro of PSD; During the Presidential campaign of December 1980, the Prime Minister, Sá Carneiro, and the Minister for Defense, Amaro da Costa (leading figure of the CDS), die in a plane crash; Pinto Balsemão becomes the leader of the PSD and Prime Minister; the first revision of the Constitution takes place, namely in order to dissolve the 'Council of the Revolution'; Ramalho Eanes is re-elected President of the Republic.*

1981-82 Introduction of flat-rate co-payments for consultations and diagnostic tests; co-payments for drugs and in-patientcare;

1982 Creation of the scheme for voluntary insurance and covering of atypical professions;

1982 Creation of a system to check permanent disabilities in the scope of disability pensions;

### **1983-1985: 'Bloco Central' cabinets (Socialist and Social Democratic coalition)**

*The Socialist party wins the elections of 1983 with a relative majority under Mário Soares. First, a short-term single party cabinet and then a coalition one, with the Social Democrats; it is a period of economic austerity culminating in a second IMF loan, characterized by a substantial increase in unemployment levels. Negotiations to enter the ECC, leading to the signature of the treaty of adhesion in 1985.*

1983 Cost sharing for health services suppressed;

1983 Approval of the law concerning 'lay off'; creation of the fund to guarantee salaries;

1984 Creation of the permanent council for social concertation (CPCS);

1984 Approval of the social security base law;

### **1985-95: Social Democratic government (center-right)**

*Social Democratic Party wins general elections—with a relative majority in 1985 and with a landslide absolute majority both in 1987 and 1991. Cavaco Silva becomes prime minister; in 1986 Mário Soares is elected President of the Republic, being reelected by a 70% majority in 1991. The constitution is revised in 1989, namely with the purpose of allowing for the privatization of some of the nationalized sectors. The first and the second European Frameworks of Support are approved..*

1985 Reformulation of unemployment insurance;

1986 Creation of the 'single social tax', unifying the contributions to the pre-existent unemployment fund and social security ones;

1986 Development of active employment policies;

1986 Signature of the first social pact—on 'income policy for 1987'—by all social partners but the CGTP-inter;

1988 Approval of the 'pacote laboral' containing the new law on dismissals, leading to the general strike of 1988;

1990 Introduction of the 14<sup>th</sup> month in pension schemes;

1990-92 Health legislation supports the development of the private sector; co-payments for health services established;

1991 Definition of legal framework for early retirement;

1993 Changes in the method of calculating pensions; the age of retirement for women is increased;

1993 The single social tax was disaggregated in terms of eventualities and the part due to employers was reduced and compensated by the creation of the social VAT;

1993 Health reforms: private sector reinforced; opting out of public insurance allowed;

### **1995 to present: Socialist government**

*Socialist Party wins general elections of 1995 with relative majority, under the leadership of António Guterres. Electoral success is renewed in 1999, with the PS gaining precisely half of the parliamentary seats. Jorge Sampaio, former leader of the PS, is elected President of the Republic in 1996, defeating the former Prime Minister Cavaco Silva (PSD). Sampaio is reelected in 2001. The third European Framework of Support is approved. In 2000 Portugal holds the Presidency of the EU council of ministers, putting great stress on the role of Europeanized employment and social policies.*

1996 Introduction of a pilot scheme of guaranteed minimum income, transformed in 1997 in a national scheme;  
1996 Family allowances are rationalized and unified in one single benefit and become means-tested;  
1996 The network of family care, both to the elderly and to children, is largely expanded;  
1996 Approval of an overarching social pact (1996-99), dealing with almost all governmental fields, by all social partners but CGTP, namely with the intent of entering the EMU;  
1996 Creation of the commission for the white paper on social security. The white paper has two different reports, reflecting the tendencies that were formed within the commission;  
1997 Approval of a Solidarity Pact between the government, the municipalities, trade unions and charities;  
1997 Stricter control and change of the rules of sickness pay;  
1997 Reduction of working time to forty hours per week;  
1998 Launching of the National Action Plan; Bilateral compromise by all the social partners as a joint declaration to the NAP;  
1998 Introduction of a new partial unemployment benefit; lengthening of unemployment benefits, although differing according to age groups;  
1999 Introduction of a more flexible early retirement system;  
1999 Parental leave is substantially raised;  
2000 Creation of the Institute for Solidarity and Social Security (ISSS);  
2000 Parliamentary approval of the new base law of social security;  
2001 Approval of two 'middle range' social pacts, one on 'employment and vocational training' and another on 'health and safety at work.' All social partners subscribed to them (including the CGTP). Approval of the social pact on 'pensions formation and calculation' by all social partners but the main employers' confederation (CIP).

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**Sources:** Medeiros Ferreira (1993); Menezes Ferreira (1994); Comissão do Livro Branco da Segurança Social (1999).